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Message Text

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TO AMEMBASSY BEIRUT

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FOLLOWING REPEAT ROME 12792 ACTION SECSTATE 05 SEP 75

QUOTE

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E.O. 11652: N/A
TAGS: EAIR, IT
SUBJ: CIVAIR - ITALIAN VIEWS OF IS-ITALY AIR TRANSPORT AGREEMENT

PASS CAB

REF: A. ROME 12649; B. ROME 10115; C. ROME 09768

SUMMARY. THIS MESSAGE SUMMARIZES PRESENT INTERMEDIATE POINTS AND CAPACITY PROVISIONS OF US-85-)6 -84 54-, 0945 -&433.3,5 (ATA), DESCRIBES ALITALIA DESIDERATA, AND DISCUSSES FACTORS AFFECTING USG RESPONSE TO FORTHCOMING GOI REQUEST FOR CONSULTATIONS DURING WHICH GOI WILL SEEK RENEGOTIATION OF ATA. END SUMMARY

1. SINCE GOI MAY REQUEST CONSULTATIONS ON US-ITALY AIR TRANSPORT AGREEMENT (ATA), AS REPORTED REFTEL (A), EMBASSY BELIEVES IT WOULD BE USEFUL FOR DEPARTMENT AND CAB TO BE AWARE OF CURRENT ITALIAN VIEW -- SHARED BY ALITALIA, MINISTRY
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OF FOREIGN AFFAIRS (MFA) AND MINISTRY OF TRANSPORT -- OF ATA.

2. ITALIANS BELIEVE ATA IS HIGHLY UNBALANCED IN FAVOR OF US BECAUSE OF DISPARITY BETWEEN US CARRIERS AND ALITALIA RE

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BEYOND RIGHTS, INTERMEDIATE POINTS AND CAPACITY. ALITALIA VIEWS,INCREASINGLY UPPORTED BY MFA AND MINISTRY TRANSPORT, ARE:

A. BEYOND RIGHTS. US CARRIERS HAVE VALUABLE BEYOND RIGHTS FROM ITALY, WHILE USG REFUSES GRANT ANY BEYOND RIGHTS TO ITALY.

B. INTERMEDIATE POINTS. US CARRIERS SERVE SEVERAL POINTS BETWEEN THE US AND ITALY, GENERATING USEFUL AMOUNT OF TRAFFIC AND REVENUE AT THESE POINTS. ALITALIA OPERATES ONLY NONSTOP BETWEEN ITALY AND THE US. ALTHOUGH ATA ROUTE ANNEX GRANTS INTERMEDIATE POINTS TO ITALY, THESE RIGHTS ARE WORTHLESS SINCE USG KNEW AT TIME ATA CONCLUDED THAT OTHER GOVERNMENTS WOULD NEVER PERMIT ALITALIA TO EXERCISE THESE RIGHTS. (GOI HAS NOT BEEN SUCCESSFUL IN OBTAINING INTERMEDIATE POINTS IN ITS NEGOTIATIONS.)

C. CAPACITY. SEE PARA (4) BELOW.

3. ALITALIA SEEKS ELIMINATION OF INTERMEDIATE POINTS ON US CARRIERS' US-ITALY ROUTES SO THAT ALITALIA, PAA AND TWA WOULD OPERATE ON EQUIVALENT BASIS. ALITALIA WILLING LET US RETAIN BEYOND RIGHTS IF RPT IF USG OFFERS SUBSTANTIAL ADDITIONAL COMPENSATION. EMBASSY BELIEVES ALITALIA MIGHT BE INTERESTED IN BEYOND RIGHTS FOR MEXICO, FROM HOUSTON OR OTHER SOUTHERN US POINTS, SOUTH AMERICA FROM NEW YORK, AND POSSIBLY TOKYO FROM US WEST COAST (IN CONJUNCTION WITH TRANS-SIBERIAN ROUTE).

4. ALITALIA MAY ALSO REQUEST NUMBER OF US CARRIERS SERVING ITALY BE REDUCED TO ONE, ARGUING THAT IN EUROPE ONLY UK AND ITALY ARE NOW SERVED BY MORE THAN ONE US CARRIER AND THAT SITUATION IN ITALY DOES NOT RPT NOT JUSTIFY TWO US CARRIERS IN THE MARKET. THIS IS BASICALLY A CAPACITY ISSUE. ALITALIA OBJECTIVE IS 50-50 SPLIT OF US-ITALY CAPACITY BETWEEN ALITALIA AND US CARRIERS; ONE WAY TO ACHIEVE THIS IS TO ELIMINATE PAA FROM MARKET WHILE HOLDING TWA TO PRESENT NUMBER OF FREQUENCIES.
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REDUCTION IN COMBINED PAA/TWA FREQUENCIES TO ALITALIA'S LEVEL WOULD ALSO BE ACCEPTABLE TO ALITALIA. ALITALIA MIGHT BE WILLING OFFSET CAPACITY LIMITATION ON US CARRIER AGAINST US CARRIERS' BEYOND AND INTERMEDIATE RIGHTS.

5. EMBASSY XPECTS GOI WILL SHORTLY -- EITHER IN CONJUNCTION WITH 1975-76 WINTER CAPACITY CONSULTATIONS OF EX-POST REVIEW OF 1975 SUMMER CAPACITY -- REQUEST GENERAL CONSULTATIONS ON ATA WITH VIEW TO RENEGOTIATING AGREEMENT. IF USG DECIDES IT NOT IN US INTEREST TO MAKE SUBSTANTIVE CONCESSIONS TO GOI, THEN WE SHOULD EXPECT INCREASING PRESSURE FROM GOI ON US CARRIERS -- AND CIVILAVIA AND ROME AIRPORTS AUTHORITY (SAR)

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HAVE CAPABILITY TO MAKE LIFE MUCH MORE DIFFICULT FOR US
SCHEDULED AND NONSCHEDULED CARRIERS IF THEY SO DESIRE --
WHICH CAN BE RESISTED ONLY IF USG HAS SUFFICIENT LEVERAGE
ON ALITALIA, WHICH IS NOT RPT NOT THE CASE AT PRESENT. IF
USG WILLING ACCEDE AT LEAST IN PART TO GOI DESIDERATA, THEN
WE MUST DECIDE WHAT, IF ANYTHING, WE SHOULD SEEK IN RETURN.
WE SHOULD RECOGNIZE THAT FAILURE TO RESPOND AT LEAST IN PART
TO ITALIAN DESIRES ALSO RUNS RISK OF DENUNCIATION OF ATA BY
GOI, ESPECIALLY IF USG RETALIATES AGAINST ALITALIA. US
CARRIERS AND USG MIGHT WISH TO EVALUATE REAL WORTH OF OUR
PRESENT RIGHTS IN CURRENT SITUATION, I.E., FAILURE OF GOI
TO FULFILL OBLIGATIONS OF ARTICLE 7 OF ATA (USER CHARGES)
AND GENERALLY UNSATISFACTORY SITUATION AT ROME AIRPORTS AND
CIVILAVIA (INCLUDING DISCRIMINATION AGAINST US CARRIERS), AND
TO CONSIDER WHETHER RENEGOTIATION IN SUCH AN ENVIRONMENT IS
DESIRABLE. STILL ANOTHER FACTOR IS FUTURE MARKET IN ITALY
FOR US CIVIL AIRCRAFT; USG ACTIONS MAY INFLUENCE ALITALIA
DECISIONS.

6. EMBASSY WOULD APPRECIATE DEPARTMENT'S REACTIONS AND
GUIDANCE.VOLPE

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